



November 12, 2009

Mr. Mark Leary, Executive Director  
California Integrated Waste Management Board  
1001 I Street, MS-25A  
P.O. Box 4025  
Sacramento, CA 95812-4025

Dear Mr. Leary:

**Final Report—Coachella Valley Association of Governments, Used Oil Block Grant Audit**

The Department of Finance, Office of State Audits and Evaluations (Finance), has completed its audit of the Coachella Valley Association of Governments (Association) Used Oil Block Grant agreements shown below:

<u>Grant Agreements</u>	<u>Audit Period</u>	<u>Awarded</u>
UBG 9-03-95	July 1, 2003 through June 30, 2006	\$82,446
UBG10-04-26	July 1, 2004 through June 30, 2007	\$77,981

The enclosed report is for your information and use. The Association's response to the report finding and our evaluation of the response are incorporated into this final report. The Association agreed with our finding and we appreciate its willingness to implement corrective actions. The finding in our report is intended to assist management in improving the effectiveness and efficiency of its operations

In accordance with Finance's policy of increased transparency, the final report will be placed on our website. Additionally, pursuant to Executive Order S-20-09, please post this report in its entirety to the Reporting Government Transparency website at <http://www.reportingtransparency.ca.gov/> within five working days of this transmittal.

We appreciate the assistance and cooperation of the Association. If you have any questions regarding this report, please contact Kimberly Tarvin, Manager, or Alma Ramirez, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

David Botelho, CPA  
Chief, Office of State Audits and Evaluations

Enclosure

cc: On following page

cc: Ms. Shirley Willd-Wagner, Manager, Financial Assistance Division, California Integrated Waste Management Board  
Ms. Susan Villa, Branch Manager, Administration and Finance Division, California Integrated Waste Management Board  
Ms. Corky Mau, Branch Manager, Financial Assistance Division, California Integrated Waste Management Board  
Mr. Brian Kono, Audit Manager, Audit and Evaluation Unit, California Integrated Waste Management Board  
Mr. Loreto Tamondong, Grant Manager, Financial Assistance Division, California Integrated Waste Management Board  
Ms. Katie Barrows, Director of Environmental Resources, Coachella Valley Association of Governments  
Mr. Gary Leong, Director of Administrative Services, Coachella Valley Association of Governments  
Ms. Linda Rogers, Program Assistant II, Coachella Valley Association of Governments

# A GRANT AUDIT

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## Coachella Valley Association of Governments Grant Agreements UBG9-03-95 and UBG10-04-26

Prepared By:  
Office of State Audits and Evaluations  
Department of Finance

## **MEMBERS OF THE TEAM**

Kimberly Tarvin, CPA  
Manager

Alma Ramirez, CPA  
Supervisor

Staff  
Steve Backlund

This report is also available on our website at <http://www.dof.ca.gov>

You can contact our office at:

Department of Finance  
Office of State Audits and Evaluations  
300 Capitol Mall, Suite 801  
Sacramento, CA 95814  
(916) 322-2985

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## BACKGROUND

As the state's recycling and waste reduction authority, the California Integrated Waste Management Board (Board) implements programs to reduce waste generation, divert materials from landfills, recover resources, remediate illegal sites, and ensure compliance with applicable state standards. The Board's used oil recycling grant program provides funding for efforts to reduce the amount of illegally disposed used oil and establish sustainable used oil recycling programs.

The Coachella Valley Association of Governments (Association) was formed in 1973 under California's Joint Powers Law to address issues of valley-wide significance. The Association's members include the cities of Blythe, Cathedral City, Coachella, Desert Hot Springs, Indian Springs, Indio, La Quinta, Palm Desert, Palm Springs, Rancho Mirage, Aqua Caliente B.C.I., Cabazon B.M.I., Torres Martinez D.C.I., and Riverside County. The Association implements and oversees the Used Oil Block Grants.

## SCOPE

In accordance with an interagency agreement, the Department of Finance, Office of State Audits and Evaluations, conducted an audit of the Association's Used Oil Block Grants listed below:

<u>Grant Agreements</u>	<u>Audit Period</u>	<u>Awarded</u>
UBG 9-03-95	July 1, 2003 through June 30, 2006	\$82,446
UBG10-04-26	July 1, 2004 through June 30, 2007	\$77,981

The audit objective was to determine whether the Association's grant revenue and expenditures were in compliance with applicable laws, regulations, and grant requirements. In order to design adequate procedures to evaluate fiscal compliance, we obtained an understanding of the relevant internal controls. As requested by the Board for this audit, we did not determine whether grant expenditures were double billed under other Board grants. We did not assess the efficiency or effectiveness of program operations.

The Association is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations and grant requirements. The Board is responsible for evaluating the efficiency and effectiveness of the program operations.

## METHODOLOGY

To determine whether grant revenues and expenditures were in compliance with applicable laws, regulations and the grant requirements, we performed the following procedures:

- Interviewed key personnel.
- Obtained an understanding of the grant related internal controls.
- Examined the grant files.
- Reviewed the Association's accounting records.
- Determined whether a sample of expenditures were:
  - Allowable
  - Grant related
  - Incurred within the grant period
  - Supported by accounting records
  - Properly recorded
- Determined whether interest earned on grant funds was reported and expended on eligible grant activities.

The results of our audit are based on our review of documentation, other information made available to us, and interviews with the Association's staff. The audit was conducted from April 2009 through August 2009.

We conducted our audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and recommendations based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and recommendations.

Except as noted below, the Association's expenditures were expended in compliance with applicable laws, regulations, and grant requirements. Revenues earned on advanced funds were expended for eligible grant activities. The claimed, audited, and questioned amounts for each grant are presented in Table 1. One finding was identified as reported below.

**Table 1: Schedules of Claimed, Audited, and Questioned Amounts**

Grant Agreement UBG9-03-95 For the Period July 1, 2003 through June 30, 2006			
Categories	Claimed <sup>1</sup>	Audited	Questioned
Publicity & Education	\$ 56,477	\$ 56,477	\$ 0
Personnel	27,662	25,466	2,196
Travel	2,040	2,040	0
Other	19	19	0
Total	\$ 86,198	\$ 84,002	\$ 2,196

Grant Agreement UBG10-04-26 For the Period July 1, 2004 through June 30, 2007			
Categories	Claimed <sup>2</sup>	Audited	Questioned
Personnel	26,734	22,884	3,850
Other	55,708	55,708	0
Total	\$ 82,442	\$ 78,592	\$ 3,850

## FINDING 1: The Association Claimed \$6,046 in ineligible Personnel Costs

The Association claimed employee leave time allocated to the Used Oil Block Grants as follows:

Grant Agreement	Leave Hours Claimed	Amount
UBG9-03-95	65	\$ 2,196
UBG10-04-26	117	3,850
Total	182	\$ 6,046

The Grant Agreement, Exhibit B, Procedures and Requirements, states any personnel costs incurred due to employees not working on the grant project (e.g. use of earned leave time such as accrued sick leave, accrued vacation, etc.) are ineligible for reimbursement.

*Recommendation:* Remit \$6,046 to the Board. Implement procedures to ensure only actual hours worked on grant activities are claimed.

<sup>1</sup> The \$3,752 difference between the awarded and claimed amounts represents interest revenue earned on advanced funds, which is available for other eligible grant expenditures.

<sup>2</sup> The \$4,461 difference between the awarded and claimed amounts represents interest revenue earned on advanced funds, which is available for other eligible grant expenditures.







## COACHELLA VALLEY ASSOCIATION of GOVERNMENTS

Bythe • Cathedral City • Coachella • Desert Hot Springs • Indian Wells • Indio • La Quinta • Palm Desert • Palm Springs • Rancho Mirage  
County of Riverside • Agua Caliente Band of Cahuilla Indians • Cabazon Band of Mission Indians • Torres Martinez Desert Cahuilla Indians

October 19, 2009

David Botelho, CPA  
Chief, Office of State Audits and Evaluations  
Department of Finance  
300 Capitol Mall, Suite 801  
Sacramento, CA 95814

Re: Draft Report – Coachella Valley Association of Governments, California Integrated  
Waste Management Board Used Oil Block Grant Audit

Dear Mr. Botelho:

Please consider this letter as a response from the Coachella Valley Association of Governments to your draft audit report dated August 2009.

**FINDING 1:** The Association Claimed \$6,046 in ineligible Personnel Costs.

**RESPONSE:**

The signed grant agreement included the following language: "The ineligible expenditures include, but are not limited to . . . Any personnel costs incurred due to employees *not working on the grant project* (e.g. personal use of earned personnel time such as accrued sick leave, accrued vacation, etc.)" The plain meaning of that clause is that only the portion of the payroll burden associated with actual hours *spent working on the grant project* were eligible for reimbursement; that portion of the payroll burden associated with time spent *not working on the grant project* was not eligible for reimbursement. Accordingly, the payroll burden was prorated between with the number of hours spent working on the grant project versus the number of hours spent "not working on the grant project."

CVAG has worked closely with CIWMB staff on our Used Oil Block Grant program to assure that reimbursement requests were reviewed and documented. Your audit, for the first time, clarified that the portion of the payroll burden associated with sick leave and vacation time (as distinguished from medical insurance premiums, long term disability insurance, pension contributions, etc.) that accrues for the hours an employee spends *working on the grant project* are *not* eligible for reimbursement. CVAG has considered that accrued sick leave and accrued vacation should be treated as part of the benefits package that each employee is entitled to upon being hired and while working on projects, just like medical insurance premiums, long term disability insurance, etc.

However, accordingly, CVAG will no longer include earned leave time as a personnel cost in our reimbursement claims. We have implemented procedures to ensure that said portion of the salary burden is excluded from future claims for reimbursement of staff costs.

# COACHELLA VALLEY ASSOCIATION of GOVERNMENTS

As for reimbursement prior to the clarification of the eligible components of payroll burden, I respectfully request that the proposed reimbursement be waived. I appreciate your consideration of our response. Please contact Katie Barrows or Gary Leong of my staff at (760) 346-1127 if you have any questions.

Sincerely,

Original signed by:

Tom Kirk  
Executive Director

cc: Loreto Tamondong, Grant Manager, California Integrated Waste Management Board  
Katie Barrows, Director of Environmental Resources, CVAG  
Gary Leong, Director of Administrative Services, CVAG  
Kimberly Tarvin, Manager, Department of Finance

## EVALUATION OF RESPONSE

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The Department of Finance, Office of State Audits and Evaluations, reviewed the Coachella Valley Association of Governments' (Association) response to the draft report. Our evaluation of the response follows:

The Association concurs with the finding of ineligible personnel costs, but requests repayment of the questioned costs be waived. The California Integrated Waste Management Board will make the final determination regarding the questioned costs.